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Rural Development: Does Macedonia Need a New Approach

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INTRODUCTION

Economic and Social importance of the rural areas 86.7% of Macedonia is rural and home to 40.2% of the population. Agriculture is the main economic activity and rural households represent a significant portion of productive capacity (73% of arable land, 90% of livestock, 96% of tractors), and play an important role in the economy. Many villages in the Republic of Macedonia have suffered from demographic, economic and social decay over the past decade. Approximately 60% of the villages are affected by de-population, particularly the sensitive hill and mountain regions. The socio-economic structure of rural areas affects the level of social insecurity and social exclusion.

According to the census (1994) in Macedonia, based on the criteria "number of inhabitant" the following are the number of villages according to size.

Table 1: Villages by size:

Size of the village	Quantity	%
Completely deserted	121	7.1
Up to 100 inhabitants	573	33.5
101-300 inhabitants	387	22.6
301-800 inhabitants	332	19.3
> 801 inhabitants	302	17.5
Total	1715	100.00

Of those, specific problems are present in villages with less than 50 inhabitants; in total, there are 360 or 68.2% of the total number of villages with up to 100 inhabitants, or 20.6% or 1/5 of the total villages in Macedonia. Of the subgroup "up to 50 inhabitants" it can be expected that some villages, more specifically villages with up to 10 inhabitants, to completely migrate – this is the case in 104 villages. The level of development in the small settlements by individual municipality, respectively by their rural area, is different.

Today's rural social problems do not arise solely from the economic transition (although the latter is one of the factors of negative influence), but are a result of the inherited levels of economic and social development from past years. These problems were present before the transition, and are present in rural areas today.

Insecurity and exclusion of the rural population The rural population in Macedonia is facing meagre incomes and lack of basic infrastructure facilities in rural communities. The recent study *"Strategy, Policy and Management of development of rural areas in the Republic of acedonia"(implemented at the Institute for Sociological, Political and Juridical Research in Skopje)* indicates that 40.2% of the rural population has no income from farming, 36.1% are not satisfied by the level of farming income, only 21.6% are partially satisfied and 1.6% are fully satisfied. .

Perception of the current personal situation in rural areas. According to the *Opinion Poll* on "Social Exclusion and Insecurity of the Citizens of the Republic of Macedonia", conducted for this NHDR, 92.8% of the respondents in rural areas put their position in the lower part of the scale (on a scale of 1="poor" and 10 =rich"). The configuration of rural communities is a factor influencing the self-assessment of the current economic situation. In that sense, the most sensitive group to suffer from the decline in the standard of living are respondents from hill and mountain communities, where 96.2% of respondents are in the lower part of the scale (1 to 5)., while 91.0% of respondents from villages situated in the plains have also assessed their economic situation in that part of the scale.

Assessment of the decline in rural standards of living The decline in the rural standard of living does not equally impact the way of life in different communities. For example, in more developed communities there are opportunities for increase in purchasing power, while in others (economically underdeveloped) the tendency is to reduce the already low expenditures on food, clothing, footwear, schooling of children, health care etc. This conclusion is largely derived from responses to the question ***"What modality (response) best describes the financial situation of your household?"***

Table 2 Financial situation of households

	Settlement configuration		
	Plains villages	Hill and mountain villages	City/urban areas
Not enough money for food	16,72%	42,75%	19,69%
Enough money for food, but difficult to buy clothing and footwear	38,51%	47,33%	39,56%
Enough money for food, clothing and footwear, but not enough for expensive items	42,39%	8,40%	36,97%
Can afford expensive items, but not anything they want	1,49%	1,53%	4,37%
Can afford anything they want	0,60%	0,00%	0,14%
No response	0,30%	0,00%	0,27%
Total	100,00%	100,00%	100,00%

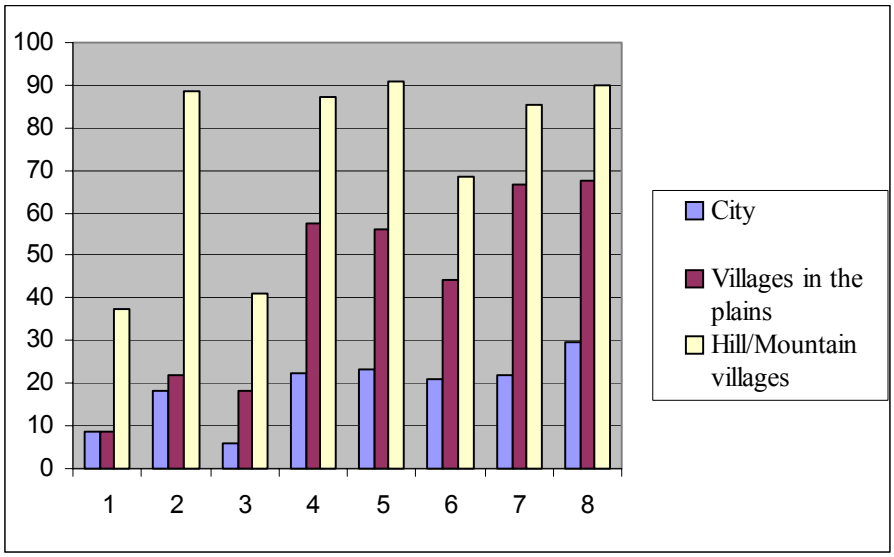
Source: Opinion Poll

Problems of the Hill and Mountain Villages

In the hill and mountain villages in the Republic of Macedonia, the Opinion Poll shows that 43% of respondents stated that they do not have enough money for food, while 47% stated that they have enough for food but not for clothing and footwear. The dissatisfaction with income derived from agricultural activities is due to the fragmentation of land plots (average 2 ha), obsolete technology, low-quality land cultivation, lack of organized marketing, etc.

Perception on access to services in rural areas Most people think that villages in the hills and mountains have too little access to services from: medical institutions (88.6%), secondary schools (87.0%), social welfare and local government (68.7%), judiciary (85.5%) and culture institutions (90.1%). That can be better illustrated by the following graph: - See Graph .1

Graph 1. Level of dissatisfaction with availability of public services in rural areas



KEY:

1. drugstores 2. medical (health) centers, 3. primary schools, 4. secondary schools, 5. Centers for social care, 6. local government organs, 7. judiciary/courts, 8. cultural facilities

Source: *Opinion Poll*

1. MAJOR FACTORS CONTRIBUTING TO SOCIAL EXCLUSION in RURAL AREAS

Factors contributing most to the insecurity and exclusion of the rural population in Macedonia are:

- Basic infrastructure needs of rural areas remain unsatisfied – poor roads, irregular bus service, lack of supply of necessities, insufficient drinking water, non existent sewage network etc
- Lack of access to educational institutions and basic health services, including primary health care, particularly for the people living in the hills and mountains
- Inadequate access to markets and market information, which renders small farmers unable to get better prices for their products and raw materials

Access to services In general, the rural population is dissatisfied by the social and local government services available in Macedonia. This particularly pertains to **secondary schools, social welfare centers, local government, judiciary and culture.** Half of the poll respondents have said that there is inadequate access to those services. The degree of dissatisfaction with services provided by enterprises and institutions grows with the increase in altitude and remoteness of the villages from municipal centers. Thus the altitude and configuration of the terrain is a factor that influences the degree of social exclusion of the rural population.

Availability of transport and access and quality of services Transportation and the remoteness of rural communities from urban areas seriously influences the level of access and quality of services available to the rural population. In Macedonia, there are still many rural communities with poor living conditions and commonly neglected villages. It follows from the analysis that there is a high level of insecurity among the rural population and in particular those with lower incomes.

Undoubtedly, almost the entire rural population is in a position of exclusion with the exception of those closest to major urban areas. An especially high level of exclusion exists in relation to the hill and mountain population, on account of the lack of infrastructure and non-availability of the various educational institutions, health centres etc. as well as the high concentration of poor old-people households, who cannot utilise the natural resources they have.

2. CAUSES OF SOCIAL EXCLUSION

Neglect of rural communities The absence of appropriate village development policies, such as building of infrastructure (roads, bus service, shops, infirmaries, schools) and problems of agricultural production (high prices of inputs, uncertainty in marketing of agricultural products, loans on unfavorable and uncertain terms, neglect of the development of cooperatives, removal of subsidies) and inadequate social policy for the farmers is a significant negative element in the development of rural areas in Macedonia.

The reasons for the difficult situation in agriculture and in rural areas in general (and thus social insecurity and exclusion) originate in the inconsistency of legal regulations. The laws contain norms difficult to read through the prism of the new Constitution and not adapted to the changes in social and economic reality. This is particularly significant in laws pertaining to land use, inheritance, cooperatives, value added tax, agricultural activities, redefinition of family farms etc.

Poorly defined agrarian policy The absence of a clearly defined agrarian policy, particularly towards farm households, creates insecurity and uncertainty about the farming business among farmers. This is evident from the abandonment of farming by the young and most vital segments of the agricultural population, and abrupt "evacuation" of many communities. According to the study "The Influence of Industrialization on Social Processes and Change in the Villages of the Republic of Macedonia", the main reasons why the young do not want to go into farming is "***lack of desire and interest***", "***farm revenues are too small***", "***farm work is hard and painstaking***". By permanent settlement in urban and suburban communities, they are forced to abandon farming or to under-utilize available agricultural capacity.
In 1996, only 229,000 ha or 48.7% of the total arable land (461,000 ha) in the private sector is in use. The dynamic demographic de-agrarianization and uncontrolled migration from villages to cities did not result in a reduction of the number of farmers (individual farming households). Thus, in the Republic of Macedonia, the number of private farms increases from 156,676 in 1960 to 178,087 in 1994, a 13% increase.

Inadequate investment policy in the rural sectors Macroeconomic policy has no appropriate agrarian policies with respect to access to credit, pension schemes, development of cooperatives etc. The relative share of investment in individual farming with respect to total investment in Macedonia is very low (7.2% in 1997), while the share of agriculture in the GDP is 10.7%. With respect to availability of credit, diverse loans are offered at interest rates ranging between 7% and 14%, with maturity from 1 to 8 years, grace periods up to 2 years and applicant's own resources 20-50% of the total value of the venture. According to the Pension and Disability Insurance Act, only farmers with tax liability on income from farming activities may pay contributions for pension and disability insurance, and thereby attain the right to pension benefits. The average pension benefits of farmers is 30% lower than average pension benefits in the Republic of Macedonia, while benefits of retired farmers eligible under the Old Age Insurance Act are full 50% lower.
In the period 1990-2000 there was a slump, even neglect, of the development of agricultural cooperatives. This environment is not favorable for farmers and the rural population, and is reflected as a stagnation in agricultural production.

3.CONSEQUENCES OF RURAL NEGLECT

Rural out-migration and de-population One of the main consequences of the neglect of rural areas and their intense sense of exclusion is the **uncontrolled rural exodus** which has resulted in emptying of rural areas and de-vitalization of the rural population. In contrast to 1948, when 72% of the population lived in villages, today 40% of the total population lives in villages. According to the 1994 Census, 121 villages have been completely de-populated (i.e. no inhabitants live there). A particular problem are the 360 villages with fewer than 50 residents which account for 20.6% of the villages in Macedonia. Within this group, it could be expected that some communities, particularly villages with up to 10 residents, will become completely de-populated. There are 104 such villages.

Special problems of the hill communities The number of population living in hills and mountains is decreasing significantly, which means accelerating out-migration. In Macedonia there are 14 compact undeveloped regions or areas that include several communities with pronounced low level

of economic activity, inadequate economic and public infrastructure, high migration and low population density. In these regions the population fell by 70% from 92,646 in 1948 to 27,598 in 1994. The data indicate that the degree of unequal regional development implies larger regional variations in public services provision, access, opportunities and thereby the level of social security and social exclusion. What makes the problems of villages particularly difficult is the significant proportion of elderly and illiterate in the total population. Mostly young and vital segments of the population are leaving the villages, leaving the older and less educated behind.

Graph. .2 Changes of rural population according to the age structure

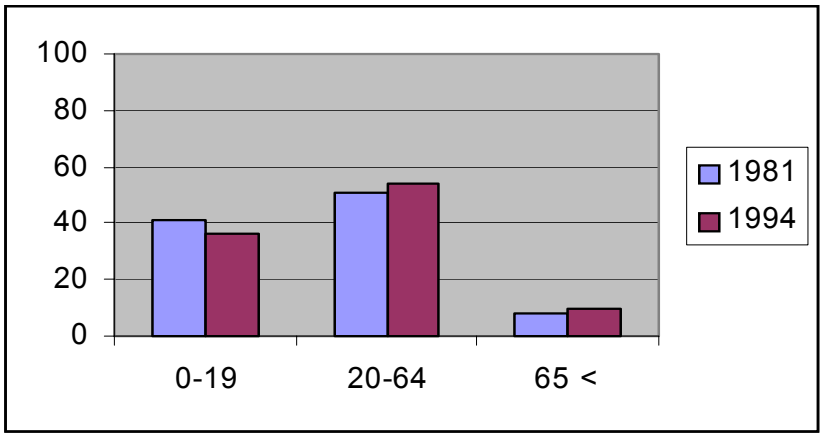


Chart shows the proportion of each age category in rural areas in 1981 and 1994.

Source: Statistical Review No. 126 Skopje, 1982. The 1994 Census of Population, Households, Dwellings and Agricultural Holdings in the Republic of Macedonia, Book I, Skopje, 1996

Changing demographic structure – leaving the vulnerable behind The share of young people aged 0 -19 years in the total rural population is shrinking. The change in the share of people aged 65 and over illustrates even more vividly the process of ageing of the rural population and especially in the hills, mountains and compact undeveloped regions. Rural households consisting of elderly persons are becoming a serious economic and social problem and accentuating the under-utilization of capacity (arable land) available to these households. In the social area, the main element is little income or no income generated by these households. In such circumstances, the level of maintenance of the household deteriorates, investment in agricultural production drops, and housing facilities fall into disrepair. In the hills and mountains, 40% of households do not cultivate their land.

Housing conditions in rural areas Housing conditions in rural areas, and particularly in the hills and mountains, are very poor. Most houses are built of stone and mud, stone and straw or stone and mortar.

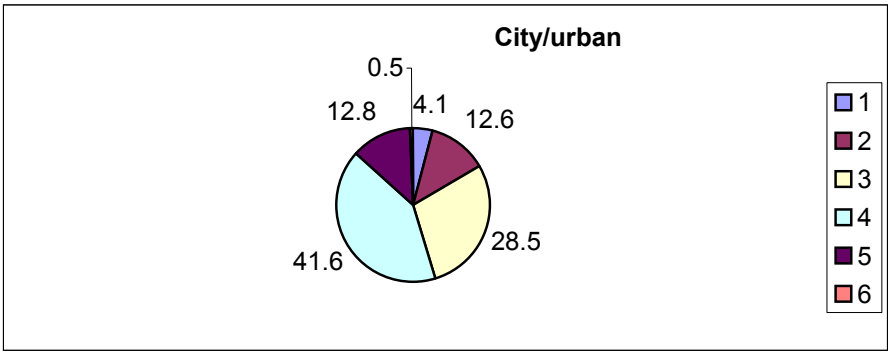
Decline in education standards and school facilities The rural areas are also characterised by low levels of education and literacy as compared to the urban areas. Among the illiterate and persons with no education there is a distinct gender bias. Women are significantly more represented in the following groups: illiterate (73%), those with no schooling (73%) and incomplete elementary education (57%), while men are significantly represented in the following groups: secondary education (68%), higher education (73%). There are few people with higher education among the population in the hills, mountains and compact undeveloped areas. Mostly, the population there has no schooling or incomplete elementary education. There are several reasons for this, the main among them being: migration of the young and more educated population, inadequate access (or no access) to educational institutions, insufficient commitment to improvement of the schooling of the young, isolation of the compact undeveloped areas and mountain communities etc.

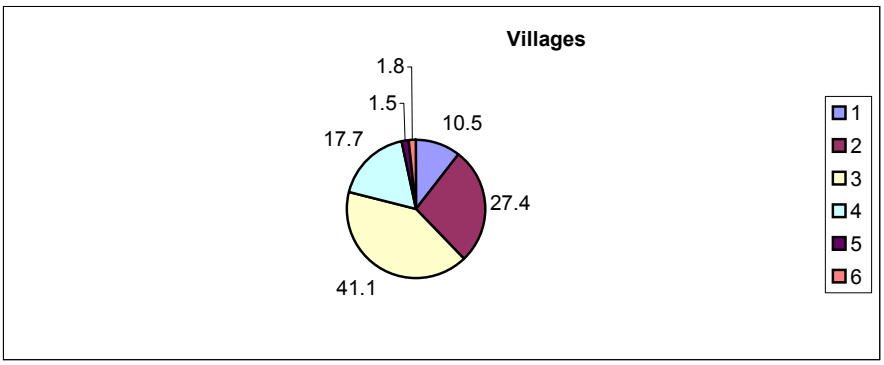
Table 3: Comparative level of literacy urban and rural population – 1994

Literacy	
Literacy rate of urban population (%)	96,7
Literacy rate of rural population (%)	91,4
Difference	-5,3
Literacy rate of women in urban areas (%)	94,8
Literacy rate of women in rural areas (%)	86,9
Difference	**-7,9**

***Source**: Our Calculations. Population by Vital, Ethnic, Educational and Economic Characteristics*
Book 1; Statistical Office of the Republic of Macedonia, Skopje, 1996.

Diagram. 1. and 2. Level of education among the population in 1994





1. without education 2. incomplete primary education, 3. primary school, 4. secondary education, 5. Higher education; 6. unknown

Source: *Our Calculations.* *Population by Vital, Ethnic, Educational and Economic Characteristics, Book 1.* *Statistical Office of the Republic of Macedonia, Skopje, 1996*

Other factors leading to rural under-development The stagnation of economic development in rural areas has resulted in more poverty and deterioration of the social security of the rural population. The transition towards a market economy and privatization has also caused a significant drop in their real standard of living. This is reflected in the level of social development. Due to the increase in the cost of living and diminished purchasing power, the rural population is increasing expenditures on food, housing, heating, lighting, heath and hygiene. Households are forced to reduce savings and expenditures on clothing, footwear, furniture etc.

4.POLICY RECOMMENDATIONS FOR PROMOTING RURAL AREAS

Qualitative improvements to reduce the economic and social exclusion of the rural population Among the possible initiatives to improve the propsects for the rural areas are:

Change of bias of development of urban centers towards development of the space, in order to reduce local and regional variations in infrastructure and economic development. Particular attention should be given to development of infrastructure (road connections to municipal and rural centers, supply of drinking water and access to basic necessities existence of at least one general store), as a precondition for dynamic economic and cultural rural development which will secure better standards of living for the residents.
In parallel with the construction of basic infrastructure, reforms should be undertaken in other areas to significantly improve the quality of life in the villages:

- Establishment of more direct and more efficient health care in rural areas and special attention to emergency medical services for the residents of villages in the hills and mountains.
- Sustainable access to drinking water and appropriate sanitary facilities.
- Better access and improvement of education of children living in villages in the hills and mountains by maintenance of schools, school residences, free meals and health care, in order to keep the children in the education system; organized transportation of rural children to secondary schools.
- Ensuring the exercise of entitlements to social security (pension, disability and health insurance) for all persons engaged in agriculture. Pension and disability insurance should cover all members of the household whose primary activity is agriculture, regardless of tax liability.
- State subsidy of pension, disability and health insurance for farmers living in villages in the hills, mountains and compact underdeveloped regions.
- Support to measures and procedures for expansion of landholding (lease, concession, credit).
- Development of a (formal and informal) social assistance scheme for the very elderly and feeble persons, and organization of family care services and care within the family.

The state and local governments must actively promote the development of rural communities and coordinate their efforts in securing investment for infrastructure, favorable loans for agricultural production, tax relief for the hill and mountain villages and the modeling of regional features of the rural communities..

- Preparation of a national strategy for development of rural areas, where priorities of comparative and strategic advantage would be established through scientific analysis.

In this context the first priority should be improvement of rural infrastructure, especially roads connecting the villages to urban centers and water pipes. The other priorities could be the better access and improvement of education of children living in villages in the hills and mountains and giving full pensions to agriculturists.

Rural Macedonian does have a future on condition that the State, the local government and the rural inhabitants take ownership of the development of the rural communities. State and local institutions can undertake significant initiative and contribution for the growth of the rural community. A principal goal should be the united approach to motivating the processes of:

- **Decentralization of the policy for rural development and implementation, concretely, modulating the regional characteristics of the rural communities;**
- **Promoting cooperation (cooperatives, associations, foundations) in preference to individualism;**
- **Mobilizing potential and developing human capital;**
- **Promoting the economic, social and cultural qualities of rural life;**
- **Developing a wider specter of enterprise processes in the households; starting with traditional crafts to cooperation with modern industry.**

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